



## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Universal Vacation Club, Inc.

We have audited the accompanying financial statements of Universal Vacation Club, Inc. (a California corporation), which comprise the balance sheet as of December 31, 2019, and the related statements of revenue, expenses and fund balances, comprehensive income, and cash flows for the year then ended, and the related notes to the financial statements. Information for the year ended December 31, 2018 is presented for comparative purposes only and was extracted from the financial statements presented by fund for that year, on which we expressed an unqualified opinion in our report dated August 22, 2019.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Universal Vacation Club, Inc. as of December 31, 2019, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis-of-Matter: Change in Accounting Standard**

As discussed in note 9 to the financial statements, the 2018 financial statements have been restated to adopt ASU No. 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*.

### **Omission of Required Supplementary Information about Future Major Repairs and Replacements**

Management has omitted the supplemental information of future major repairs and replacements that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

A handwritten signature in black ink that reads "Considine & Considine". The script is cursive and fluid, with the ampersand being a simple cross-like symbol.

CONSIDINE & CONSIDINE  
An accountancy corporation

August 20, 2020

**UNIVERSAL VACATION CLUB, INC.**  
**BALANCE SHEETS**  
**DECEMBER 31, 2019 AND 2018**

Page 4

	Operating Fund	Replacement Fund	Capital Fund	2019 Total	2018 Total
<b>ASSETS</b>					
Cash	\$ 14,225,430	\$ 232,229	\$ -	\$ 14,457,659	\$ 17,419,696
Investments (note 3)	-	11,819,056		11,819,056	9,807,743
Accounts receivable (note 5)	829,644	50,414	-	880,058	954,483
Due from replacement fund	7,000,856	-	-	7,000,856	5,257,028
Prepaid expenses	8,122	-	-	8,122	219,443
Deposits (note 6)	750,000	-	-	750,000	750,000
<b>TOTAL ASSETS</b>	<b><u>22,814,052</u></b>	<b><u>12,101,699</u></b>	<b><u>-</u></b>	<b><u>34,915,751</u></b>	<b><u>34,408,393</u></b>
<b>LIABILITIES AND FUND BALANCES</b>					
Accounts payable and accrued expenses	793,506	146,246	-	939,752	2,457,731
Due to operating fund	-	7,000,856	-	7,000,856	5,257,028
Prepaid assessments	15,373,393	1,954,597	-	17,327,990	18,681,639
Deferred revenue	347,033	-	-	347,033	514,698
<b>TOTAL LIABILITIES</b>	<b>16,513,932</b>	<b>9,101,699</b>	<b>-</b>	<b>25,615,631</b>	<b>26,911,096</b>
<b>FUND BALANCES</b>	<b><u>6,300,120</u></b>	<b><u>3,000,000</u></b>	<b><u>-</u></b>	<b><u>9,300,120</u></b>	<b><u>7,497,297</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 22,814,052</u></b>	<b><u>\$ 12,101,699</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 34,915,751</u></b>	<b><u>\$ 34,408,393</u></b>

See accompanying notes to the financial statements

**UNIVERSAL VACATION CLUB, INC.**  
**STATEMENTS OF REVENUE, EXPENSES, AND FUND BALANCES**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

Page 5

	Operating Fund	Replacement Fund	Capital Fund	2019 Total	2018 Total
<b>REVENUE</b>					
Member assessments	\$ 22,776,030	\$ 2,529,477	\$ -	\$ 25,305,507	\$ 25,304,076
Club services income - net	3,101,980	-	-	3,101,980	3,262,487
Interest and dividend income	177,881	285,346	-	463,227	383,718
Gain/(loss) on sale of investments	-	247,987	-	247,987	(92,187)
Unrealized gain/(loss) on investments	-	1,620,485	-	1,620,485	(740,421)
	<u>26,055,891</u>	<u>4,683,295</u>	<u>-</u>	<u>30,739,186</u>	<u>28,117,673</u>
<b>EXPENSES</b>					
Audit, tax and accounting fees	35,600	-	-	35,600	33,800
Bad debts	940,396	108,568	-	1,048,964	1,215,954
Collection services	206,928	-	-	206,928	196,490
General and administrative	30,698	-	-	30,698	49,713
Income taxes	81,728	245,040	-	326,768	87,351
Insurance	75,350	-	-	75,350	77,269
Legal	65,231	-	-	65,231	101,415
Off-site management and operations	1,598,607	99,782	-	1,698,389	1,652,978
On-site management and operations	21,853,870	-	-	21,853,870	22,453,594
Repairs and replacement	-	3,594,565	-	3,594,565	2,607,938
	<u>24,888,408</u>	<u>4,047,955</u>	<u>-</u>	<u>28,936,363</u>	<u>28,476,502</u>
EXCESS/(DEFICIENCY) OF REVENUE OVER EXPENSES	1,167,483	635,340	-	1,802,823	(358,829)
FUND BALANCE - BEGINNING	4,497,297	3,000,000	-	7,497,297	7,856,126
TRANSFERS OF EXCESS ASSESSMENTS	<u>635,340</u>	<u>(635,340)</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 6,300,120</u>	<u>\$ 3,000,000</u>	<u>\$ -</u>	<u>\$ 9,300,120</u>	<u>\$ 7,497,297</u>

See accompanying notes to the financial statements

**UNIVERSAL VACATION CLUB, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

Page 6

	Operating Fund	Replacement Fund	Capital Fund	2019 Total	2018 Total
<b>CASH FLOWS PROVIDED BY OPERATING ACTIVITIES</b>					
Excess of revenue over expenses	\$ 1,167,483	\$ 635,340	\$ -	\$ 1,802,823	\$ (358,829)
<b>ADJUSTMENTS TO RECONCILE EXCESS OF REVENUE OVER EXPENSES TO NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES</b>					
(Gain)/loss on sale of investments	-	(247,987)	-	(247,987)	92,187
Unrealized (gain)/loss on investments	-	(1,620,485)	-	(1,620,485)	740,421
Bad debts	940,396	108,568	-	1,048,964	1,215,954
Changes in operating assets and liabilities:					
Accounts receivable	(888,747)	(85,792)	-	(974,539)	(983,809)
Due from replacement fund	(1,743,828)	-	-	(1,743,828)	(197,049)
Prepaid expenses	105,550	105,771	-	211,321	(49,176)
Deposits	-	-	-	-	750,000
Accounts payable and accrued expenses	(1,663,663)	145,684	-	(1,517,979)	1,930,126
Due to operating fund	-	1,743,828	-	1,743,828	197,049
Prepaid assessments	(1,389,625)	35,976	-	(1,353,649)	(437,682)
Deferred revenue	(167,665)	-	-	(167,665)	145,367
	<u>(4,807,582)</u>	<u>185,563</u>	<u>-</u>	<u>(4,622,019)</u>	<u>3,403,388</u>
<b>NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES</b>	<b>(3,640,099)</b>	<b>820,903</b>	<b>-</b>	<b>(2,819,196)</b>	<b>3,044,559</b>
<b>CASH FLOWS USED BY INVESTING ACTIVITIES</b>					
Proceeds from sale of investments	-	4,280,377	-	4,280,377	7,535,699
Purchase of investments	-	(4,423,218)	-	(4,423,218)	(8,049,098)
	-	(142,841)	-	(142,841)	(513,399)
<b>CASH FLOWS PROVIDED/(USED) BY FINANCING ACTIVITIES</b>					
Transfers of excess assessments	635,340	(635,340)	-	-	-
<b>NET INCREASE/(DECREASE) IN CASH</b>	<b>(3,004,759)</b>	<b>42,722</b>	<b>-</b>	<b>(2,962,037)</b>	<b>2,531,160</b>
<b>CASH, BEGINNING</b>	<b>17,230,189</b>	<b>189,507</b>	<b>-</b>	<b>17,419,696</b>	<b>14,888,536</b>
<b>CASH, ENDING</b>	<b>\$ 14,225,430</b>	<b>\$ 232,229</b>	<b>\$ -</b>	<b>\$ 14,457,659</b>	<b>\$ 17,419,696</b>
<b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>					
Income taxes paid				\$ 35,800	\$ 186,735

See accompanying notes to the financial statements